

Message Text

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ORIGIN STR-08

INFO OCT-01 EA-11 IO-14 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 EB-11

FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-07

PA-04 RSC-01 AID-20 CIEP-02 SS-20 TAR-02 TRSE-00

PRS-01 SPC-03 FEA-02 OMB-01 SWF-02 /164 R

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APPROVED BY STR:AMB. MALMGREN

STR:AHGARLAND

STATE:ITP:JCRENNER

EA:RSINGERSOLL

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TO AMEMBASSY TOKYO IMMEDIATE

INFO USMISSION GENEVA PRIORITY

C O N F I D E N T I A L STATE 062722

E.O. 11652: XGDS1, DECLAS 12/31/84

TAGS: ETRD, EIND

SUBJECT: ESCAPE CLAUSE ACTION ON BALL BEARINGS

FOR SHOESMITH FROM MALMGREN

1. PRESIDENT'S DECISION TO GIVE ESCAPE CLAUSE TARIFF RELIEF ON THREE CATEGORIES OF RADIAL BALL BEARINGS TO BE ANNOUNCED MARCH 29. REQUEST YOU ADVISE GOJ IN ADVANCE AT APPROPRIATELY HIGH LEVEL, STRESSING THAT ADMINISTRATION RESISTED CLAIMS OF POWERFUL DOMESTIC INTERESTS FOR SUBSTANTIALLY GREATER PROTECTION AND CONSIDERS THE REMEDY ADOPTED TO BE THE BEST ACHIEVABLE COMPROMISE IN TERMS OF LIMITING THE ADVERSE IMPACT ON TRADING PARTNERS.

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2. NEW RATES, EFFECTIVE MAY 1, ARE: (A) TSUSA 680.3508

GOES TO 20 PERCENT FOR ENTRIES VALUED NOT OVER 60 CENTS PER UNIT; (B) TSUSA 680.3512 TO 20 PERCENT FOR ENTRIES VALUED NOT OVER 75 CENTS PER UNIT; AND (C) TSUSA 680.3517 TO PRE-KR RATE OF 3.4 CENTS PER POUND PLUS 15 PERCENT FOR ENTRIES VALUED NOT OVER DOLS 1.30 PER UNIT. INCREASES UNDER (A) AND (B) ABOVE TO BE PHASED OUT IN THREE STAGES, STARTING BEGINNING OF THIRD YEAR AND FOR (C) TWO STAGES STARTING BEGINNING FOURTH YEAR. PROCLAMATION ALSO INCLUDES ADJUSTMENT ASSISTANCE FOR FIRMS AND WORKERS.

3. WE HAVE FOREWARNED JAPANESE EMBASSY IN SEVERAL CONVERSA-

TIONS THAT TARIFF ACTION ESSENTIAL IN TIME CONTEXT OF TRADE BILL HEARINGS. SINCE ALL PARTICIPATING TARIFF COMMISSIONERS FOUND INJURY, FAILURE TO PROVIDE TARIFF INCREASES WOULD, IN OUR VIEW, RESULT IN RESTRICTIVE MODIFICATIONS OF THE TRADE BILL.

4. DESPITE PRESIDENT'S DELAY IN TAKING ACTION LAST YEAR (I.E. BY REQUESTING SUPPLEMENTAL REPORT FROM TARIFF COMMISSION) AS GOJ HAD SUGGESTED, IMPORTS FROM JAPAN CONTINUED AT A HIGH LEVEL AND FOR THE YEAR WERE 17 PERCENT ABOVE 1972 BY QUANTITY AND 34 PERCENT BY VALUE IN THE SIZE GROUPS ON WHICH THE PRESIDENT TOOK ACTION. JAPANESE SHARE OF US MARKET 53 PERCENT AND 43 PERCENT IN CATEGORIES (A) AND (B), RESPECTIVELY. JAPANESE SHOULD APPRECIATE THAT MUCH LARGER VOLUME OF TRADE WOULD HAVE BEEN AFFECTED UNDER TARIFF COMMISSION PROPOSALS. IN PARTICULAR, PRESIDENT EXCLUDED THREE TARIFF CATEGORIES ON WHICH COMMISSION RECOMMENDED RATE INCREASES AND IN THE THREE CATEGORIES COVERED, ONLY IMPORTS ENTERING AT LOW UNIT VALUES ARE SUBJECT TO RATE INCREASES. BOTH THE TRADE COVERAGE AND LEVEL OF THE NEW RATES ARE LESS THAN THE INDUSTRY PRESSED FOR AND ARE ABSOLUTE MINIMUM ACCEPTABLE TO CONGRESS.

5. ABOUT DOLS 52 MILLION IMPORTS FROM JAPAN ESTIMATED TO HAVE BEEN BELOW VALUE BREAKS LAST YEAR. ON DUTIES ADDED BASIS, ROUGHLY DOLS 6 MILLION COMPENSATION COULD BE CLAIMED. HOWEVER, IF RECENT AND PROSPECTIVE PRICE INCREASES ARE AS LARGE AS JAPANESE PRODUCERS CLAIM, SOME OF THIS TRADE

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PROBABLY ALREADY ABOVE THE VALUE BRACKETS THAT ARE SUBJECT TO HIGHER TARIFFS AND AMOUNT SPILLING OVER SHOULD INCREASE IN COMING MONTHS. PROVISION FOR PHASE OUT UNDERLINES TEMPORARY NATURE OF ACTION.

6. IN EVALUATING IMPACT, JAPAN SHOULD NOTE THAT THE LEVEL OF THE VALUE BREAKS ADOPTED WILL ALLOW ITS PRODUCTS TO CONTINUE TO COMPETE IN US MARKET AND SHOULD MAKE SALES

OF IMPORTS, AS WELL AS THOSE OF DOMESTIC PRODUCERS, MORE PROFITABLE. IN SHORT, THE OBJECT OF THE REMEDY IS TO FIRM-UP PRICES OF IMPORTS AND WE DO NOT ANTICIPATE THAT THE NEW TARIFFS WILL CAUSE ANY LARGE CUT-BACK IN JAPANESE SALES.

7. GOJ HAS INFORMED US IT WILL RESERVE ITS GATT RIGHTS BUT KNOWS US UNABLE PAY COMPENSATION AT THIS TIME. IN VIEW OF ADMINISTRATION'S EFFORTS TO KEEP TARIFF RELIEF AT MINIMUM, AND DELICACY OF TRADE BILL SITUATION, WE WOULD HOPE GOJ WOULD DEFER ANY ACTION UNTIL SUCH TIME AS USG IN POSITION TO NEGOTIATE COMPENSATION. WE ARE PREPARED TO DISCUSS DIMENSIONS OF PROBLEMS IN INTERIM. RUSH

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